

Message Text

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E.O. 11652: GDS

TAGS: ECON RH CG

SUBJ: ECONOMIC CONSEQUENCES FOR RHODESIA AND ZAIRE

REF: A. STATE 103271, B. LUBUMBASHI A-20, C. KINSHASA 2185,

D. LUBUMBASHI 042

1. SUMMARY: CLOSURE OF RHODESIAN BORDER WOULD RESULT IN SIGNIFICANT LOSS OF RHODESIAN EXPORT SALES TO ZAIRE AND ALSO LOSS OF TRANSIT REVENUES FOR RHODESIA. HOWEVER, CLOSURE OF RHODESIAN BORDER WOULD BE FAR MORE SERIOUS FOR ZAIRIAN ECONOMY WITH EXPORT EARNINGS DECREASED BY APPROXIMATELY 40-50 PERCENT AND INDIRECT COSTS OF APPROXIMATELY \$25-50 MILLION. END SUMMARY.

2. IN 1974 ZAIRE IMPORTED \$26.5 MILLION OF GOODS FROM SOUTHERN RHODESIA, OF WHICH \$6.4 MILLION WAS CEREALS (MAINLY CORN), \$9 MILLION WAS MEAT, AND \$5.2 MILLION PURCHASED 129,525 MT OF METALLURGICAL COAL. DURING THE FIRST HALF OF 1975 ZAIRIAN IMPORTS FROM RHODESIA TOTALED ONLY \$7.6 MILLION, OF WHICH \$4.4 MILLION PURCHASED CEREALS AND \$1 MILLION BOUGHT 19,637 MT OF COAL. THE DECREASE IN IMPORTS WAS PRIMARILY DUE TO ZAIRE'S FOREIGN EXCHANGE DIFFICULTIES AND A DECISION TO RUN DOWN COAL STOCKS AT THE COPPER MINES. WE ESTIMATE THAT RHODESIA EARNED \$5-10

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MILLION FROM RAILWAY TRANSIT FEES FOR GOODS DESTINED TO ZAIRE.

ZAIRE TRADITIONALLY MAKES NO SIGNIFICANT EXPORTS TO RHODESIA.

3. THE EFFECT OF A RHODESIAN BORDER CLOSING WOULD BE FAR MORE SERIOUS FOR THE ECONOMY OF ZAIRES THAN FOR RHODESIA. COAL AND ESSENTIAL FOODSTUFFS FOR THE SHABA, THE COPPER PRODUCING AREA OF ZAIRES, HAVE BEEN HISTORICALLY MADE FROM RHODESIA. THE BULK OF THE REMAINDER OF THE SHABA'S IMPORTS WERE MADE VIA THE BENFUELA RAILROAD WHEREAS ONLY ABOUT 35 PERCENT OF ITS COPPER WAS EXPORTED BY THIS ROUTE. WITH THE CLOSURE OF THE BENGUELA, ZAIRES WAS ABLE TO EXPORT ALL OF ITS COPPER BY ALTERNATE ROUTES BUT HAD DIFFICULTY IN SUPPLYING ESSENTIAL IMPORTS, PARTICULARLY POL.

4. 90 PERCENT OF SHABA'S POL REQUIREMENTS WERE IMPORTED VIA BENGUELA. WITH ITS CLOSURE, AN ALTERNATE SUPPLY ROUTE WAS DEVELOPED PRIMARILY FROM SOUTH AFRICA VIA RHODESIA. THE ZAMBIAN REFINERY AT N'DOLA IS THEORETICALLY CAPABLE OF SUPPLYING APPROXIMATELY TWO-THIRDS OF SHABA'S REQUIREMENTS BUT IN PRACTICE HAS BEEN ABLE TO FURNISH ONLY A SMALL PERCENTAGE OF THIS AMOUNT. THE REMAINDER HAS COME FROM SOUTH AFRICA. THERE IS NO OTHER FEASIBLE SUPPLY OF PETROLEUM AS ALTERNATE SUPPLY ROUTES, PARTICULARLY WITH REGARD TO IMPORTS, ARE OPERATING AT OR NEAR CAPACITY LEVELS.

5. IN 1975 RHODESIA SUPPLIED ALL OF THE COAL WHICH IS ESSENTIAL TO THE COPPER REFINING COMPLEX. AS MENTIONED PREVIOUSLY, STOCKS HAVE BEEN DRAWN DOWN TO A DANGEROUSLY LOW LEVEL. BECAUSE OF ITS BULK THERE IS NO OTHER FEASIBLE ALTERNATIVE ROUTE OTHER THAN POSSIBLY BENGUELA SHOULD IT BE REOPENED. COAL IS CRITICAL FOR THE PRODUCTION OF ZAIRES COPPER. WITHOUT IT, WE WOULD ESTIMATE THAT ZAIRES COPPER AND COBALT (PRODUCED AS A BYPRODUCT) PRODUCTION WOULD DECREASE BY 50-75 PERCENT. HISTORICALLY, COPPER AND COBALT HAVE ACCOUNTED FOR APPROXIMATELY TWO-THIRDS OF ZAIRES FOREIGN EXCHANGE REVENUES.

6. APPROX 90 PERCENT OF THE CEREALS, THE PRINCIPAL FOODSTUFF FOR THE SHABA'S URBAN AREA, ORIGINATE FROM OR TRANSIT RHODESIA. IF THE RHODESIAN BORDER WERE CLOSED, SOME ESSENTIAL FOODSTUFFS WOULD HAVE TO BE IMPORTED BY AIR TO PREVENT POSSIBLE STARVATION. IT IS DIFFICULT TO MAKE AN ESTIMATE BUT WE BELIEVE THAT AT A MINIMUM INCREASED TRANSPORTATION COSTS FOR ESSENTIAL FOOD IMPORTS
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FOR THE SHABA WOULD BE IN THE RANGE OF \$25-50 MILLION.

7. AS NOTED IN REF C, ALL OF SODIMIZA'S COPPER CONCENTRATE PRODUCTION MUST TRANSIT RHODESIA AS IT IS POROUS AND MUST BE TRANSPORTED IN CLOSED RAILWAY CARS. CLOSURE OF THE RHODESIAN BORDER WOULD RESULT IN THE LOSS OF THESE EXPORTS WITH A VALUE OF APPROXIMATELY \$50 MILLION. AS INDICATED REFTELS, THE SHABA'S COPPER PRODUCTION OTHER THAN COPPER CONCENTRATE COULD BE SHIPPED

BY THE VOI VATIONAL TO MATADI AND VIA THE EAST TO DAR ES SALAAM.

8. IN SUMMARY, THE CLOSURE OF THE RHODESIAN BORDER WOULD RESULT IN DECREASED REVENUES FOR RHODESIA FROM ZAIRE OF APPROX \$25-35 MILLION. THE ECONOMIC EFFECTS UPON ZAIRE WOULD BE FAR GREATER. COPPER AND COBALT PRODUCTION WOULD BECRESE AT APPROX 50-75 PER-CNT, FOR A LOSS OF APPROX \$300-500 MILLION. INCREASED TRANSPORTATION COSTS WOULD BE \$25-50 MILLION. THE ECONOMIC EFFECT WOULD BE REDUCED IF THE BENGUELA RAILROAD SHOULD BE REOPENED BUT THEY WOULD STILL BE CONSIDERABLE.
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